

**Date:** April 20, 2015

**To:** Thomas J. Bonfield, City Manager

**Through:** Wanda S. Page, Deputy City Manager

**From:** Regina Youngblood, Director of Human Resources  
Alethea Hardy, Compensation and Classification Manager

**Subject:** FY 2015-16 Compensation and Classification Plan Recommendations

### **Executive Summary**

The City of Durham strives to provide fair, equitable and competitive compensation in its efforts to attract, retain, develop and reward our employee workforce. These efforts support the Well Managed City goal. This agenda item recommends changes to the City of Durham's Compensation and Classification Plan to include pay grade assignment changes, classification title changes, classification title additions and pay structure adjustments in support of this ongoing initiative.

Per provision of the City's Livable Wage Ordinance #11333, an annual review of the Durham Livable wage is conducted to ensure the City of Durham maintains a minimum livable pay rate that is economically above the current poverty threshold for a family of four. The Durham Minimum Livable Wage recommendation will increase the livable wage rate from \$12.33 to \$12.53 per hour (\$26,069 annually).

The City of Durham's pay plan structures have been reviewed to determine if rate adjustments to the salary structure control points (minimums, midpoints, and maximums) are necessary based on current market indicators. Structure adjustments of 2.5% are recommended for the Non-Exempt, Exempt and Senior Management Pay Plan Structures to be effective January 1, 2016. These pay structures adjustments will not immediately affect actual salaries unless an employee's current salary falls below the new minimum of the adjusted pay grade. Going forward, the City of Durham will review pay plan structures annually to position the organization to be competitive through its compensation philosophy.

### **Recommendation**

As a result of the annual market survey and position study process, the administration recommends the attached classification title and pay grade assignment changes be approved and adopted into the City of Durham's Compensation and Classification Plan (Attachment 1 – FY2015-2016 Classification and Compensation Plan Recommendations). The recommended changes to the Compensation and Classification Plan provide employees being reclassified with a five percent (5.0%) salary increase or pay at the new pay grade minimum, whichever amount is greater. Those employees whose job duties have not

changed, but the job is being assigned to a higher pay grade will receive a three percent (3.0%) salary increase or pay at the new pay grade minimum, whichever amount is greater.

All classification and pay grade assignment changes will be effective July 11, 2015 for all affected employees. The July 11, 2015 effective date marks the beginning of the first full pay period in the fiscal year. Implementation of this recommendation will affect the July 24, 2015 paycheck for employees receiving a salary adjustment resulting from the market adjustment and reclassification processes. Classification and pay grade assignment changes will be processed after any approved July 1, 2015 pay-for-performance increases have been implemented.

The administration recommends an increase to the Durham Minimum Livable Wage rate from \$12.33 to \$12.53 per hour (\$26,069 annual rate) with a July 11, 2015 effective date. This rate change will impact our classifications assigned to the entry level, pay grade 200 Non-Exempt classifications of Laborer, Solid Waste Collector and Custodian.

The administration recommends a 2.5% pay structure adjustment to the Non-Exempt, Exempt and Senior Management Pay Structures. Attachment 2, FY2015-2016 Structure Adjustment Recommendation, illustrates the current pay structures and recommended adjustments to be effective January 1, 2016. Adjustments to the control points of the Non-Exempt, Exempt, and Senior Management Salary Structures are necessary to maintain the City of Durham's market competitiveness and minimize the amount of internal compression that is driven by the Durham Minimum Livable Wage.

## **Background**

To maintain the City's market-based pay plan and remain competitive with changing market rates, the Human Resources Department conducted the annual market salary study during November through December of 2014. Departments were also able to submit requests to study specific classifications and positions. The study surveyed comparable benchmark municipalities within the Southeastern region. The recommended compensation and classification changes are based on data collected through this market survey on comparable jobs, compa-ratio computations, and internal equity considerations. The compa-ratio is a determination of the percentage difference between the City of Durham's midpoint salary for a job and the average of the actual salaries being paid in our market for comparable jobs. The City's compensation philosophy is to maintain the City's midpoint salary within 90-100% of the market's average salary. Recommended changes resulting from these studies are included in this agenda item (Attachment 1 – FY2015-2016 Classification and Compensation Plan Recommendations).

The recommendation to adjust the City of Durham's Minimum Livable Wage rate is guided by City Ordinance #11333 requiring the rate be set at seven and a half percent (7.5%) above the federal poverty rate for a family of four as established by the United States Department of Health and Human Services (HHS). The poverty threshold guideline for a family of four as of March 2015 is \$24,250. The Durham Minimum Livable Wage rate calculation is as follows:  $(\$24,250 \times 1.075)/2080 = \$12.53$ . The calculation supports the recommendation to increase the City of Durham's livable wage rate and is in alignment with City Ordinance #11333. This will impact the minimum pay rate for the entry level pay grade 200 of the Non-Exempt Pay Plan Structure, effective July 11, 2015.

On January 1, 2015, the City of Durham implemented its first pay structure adjustments since 2008, adjusting the Non-Exempt Pay Structure by 3% and the Exempt and Senior Management Pay Structures by 2%. Human Resources recommends continuing the strategy of regaining market competitiveness that was initiated with these pay plan adjustments by applying a 2.5% structure adjustment to the Non-Exempt Pay Plan Structures, and to the Exempt and Senior Management Pay Plan Structures effective January 1, 2016 (Attachment 2 – FY2015-2016 Structure Adjustment Recommendations).

It is important to note that there exists a correlation between the recommended structure adjustment percentage and the recommended average pay for performance percentage. The recommended average pay for performance percentage is 3.5%. These two pay tools, the salary structures and the pay for performance percentage, are linked in order to allow employees to maintain their relative position in their pay grades when structure adjustments are implemented. The average percentage of performance pay should be at least 1% higher than the percentage of structure adjustment applied, thereby preventing employees who are meeting expectations from losing ground within their pay grade.

These recommendations, including the classification and pay grade changes, salary structure adjustments, Durham Minimum Livable Wage adjustment and pay for performance percentage adjustment proposals, will facilitate the City's regaining a more competitive position in our salary market.

### **Issues and Analysis**

The compensation and classification recommendations in this agenda item are based on the data collected and analyzed from the annual market salary survey, as well as the information gathered through conducting the department-requested position studies. The annual classification study included 57 position studies, a salary study of all Department Director positions, along with a market survey of 103 job classifications.

### **Alternatives**

No alternatives recommended.

### **Financial Impact**

The total financial impact of the FY2015-16 recommended compensation and classification changes is approximately \$256,767. This total includes the costs associated with market adjustments, reclassifications, Durham Minimum Livable Wage adjustments, and pay structure adjustments.

The total financial impact of market adjustments is \$75,177 (General Fund - \$64,089, Water and Sewer Fund - \$11,087). The total financial impact of reclassifications is \$100,767 (General Fund - \$62,811, Water and Sewer Fund-\$17,958, Storm Water Fund - \$6,718, Solid Waste Disposal Fund - \$10,441, and Risk Fund - \$2,838).

The total financial impact of the FY2015-16 Durham Minimum Livable Wage adjustment is \$12,425. This amount includes an \$8,073 financial cost for full-time employee adjustments and a \$4,352 financial cost for part-time Parks & Recreation employees performing work that is commensurate to that of full time classifications assigned to pay grade 200.

The total financial impact for the FY2015-16 pay structure adjustments is \$68,398. This amount includes the following half-year financial costs: (General Fund - \$38,183, Water and Sewer Fund - \$16,166, Storm Water Fund - \$5,586, and Solid Waste Disposal Fund - \$6,570). The half-year cost of part-time Parks & Recreation employees performing work commensurate to that of full time classifications assigned to pay grade 201-203 is \$1,893.

### **SDBE Summary**

There are no SBDE requirements.

### **Attachments**

Attachment 1 – FY2015-2016 Classification and Compensation Plan Recommendations

Attachment 2 – FY2015-2016 Structure Adjustment Recommendations